

VZCZCXRO8791
RR RUEHHM
DE RUEHHI #0369/01 0910955
ZNR UUUUU ZZH
R 310955Z MAR 08
FM AMEMBASSY HANOI
TO RUEAUSA/DEPT OF HHS WASHINGTON DC
RUEHC/SECSTATE WASHDC 7502
INFO RUEHHM/AMCONSUL HO CHI MINH 4512
RUEHJA/AMEMBASSY JAKARTA 0693
RUEHGP/AMEMBASSY SINGAPORE 2573

UNCLAS SECTION 01 OF 05 HANOI 000369

SIPDIS

SENSITIVE
SIPDIS

FOR SECRETARY LEAVITT FROM THE AMBASSADOR

E.O. 12958: N/A

TAGS: [TBIO](#) [KPAO](#) [KFLU](#) [KHIV](#) [VM](#)

SUBJECT: SCENESETTER, PART I OF III, FOR THE DEPARTMENT OF HEALTH
AND HUMAN SERVICES (HHS) SECRETARY LEAVITT'S APRIL 2008 VISIT TO
VIETNAM

1. (U) This cable is Sensitive But Unclassified. It is for official
use only, not for dissemination outside USG channels or posting on
the Internet.

2. (U) Mission Vietnam very much looks forward to your visit to
Vietnam in mid-April, as your personal engagement will support
directly our effective, broad-based efforts to influence
developments in this increasingly important country. Your second
visit is a good opportunity to encourage Vietnam to continue the
process of opening to the world and reforming internally. Vietnam's
national leadership remains eager to learn from the United States on
economic, governance, environmental, and health reform and will be
attentive to what you have to say. I predict that the media will
extensively, and favorably, cover your visit, producing a
"multiplier effect," which will help deepen mutual understanding.
This cable, one of three I will be sending to help frame your
discussions, provides information on our strategies to protect and
defend our broad national interests in Vietnam. Part II focuses on
our many health issues, highlighting both the overarching challenges
we face and opportunities presented us. Part III will cover our
work through the President's Emergency Plan for AIDS Relief
(PEPFAR).

VIETNAM WANTS TO BE ASIA'S NEXT TIGER

3. (U) After decades of isolation and failed economic policies,
Vietnam is driven to become the next Asian tiger. The Government of
Vietnam (GVN) aims to enter the ranks of middle-income developing
countries by 2010 and achieve industrialized country status by 2020.
In its efforts to modernize the economy, the GVN has focused on
pushing exports and investment as principle drivers in its policy of
fast economic growth.

4. (SBU) When Vietnam first announced its program of economic
reforms in 1986, the economy was in shambles and a large proportion
of the population lived in poverty. Change came slowly, but the
pace of reform became significantly more rapid over the years.
Vietnam is now on a successful economic path and has achieved
average annual economic growth of 7.5 percent during the last
decade. In 2007, the economy grew at a rate of 8.5 percent.
Poverty rates have tumbled from 58 percent in 1993 to under 15
percent in 2007, according to the GVN's latest figures, which are
based on international standards. A recent World Bank study
described this poverty reduction rate as the most significant in
such a short period of time of any nation in history. The middle
class is growing and retail markets are expanding rapidly.

THE UNITED STATES AS A PIVOTAL PLAYER

15. (U) Economic ties between the United States and Vietnam continue to expand. The United States is Vietnam's third largest trade partner, after China and Japan, and its largest export market. Total two-way trade in goods with the United States in 2007 was \$12.53 billion, up 29 percent from 2006, according to the U.S. Department of Commerce. Vietnamese exports to the U.S. continue to surge, fuelling growth here, but the expansion of the middle class is also having a positive impact on U.S. exports. In 2007, U.S. statistics indicate that exports to Vietnam increased by 73 percent to USD 1.9 billion from USD 1.1 billion in 2006. We've seen several high profile commercial success stories, including Boeing's recent contract with Vietnam Airlines, Motorola's securing of three contracts to build the mobile phone network of a state-owned mobile phone service provider, and two U.S. energy companies negotiating for major energy-sector construction contracts. The United States is also Vietnam's seventh largest investor, with \$2.6 billion in registered Foreign Direct Investment since 1988 (South Korea is the largest with \$11 billion), with a prominence in the technology industry.

16. (U) Another signal of the United States' growing commercial influence was the success of Secretary of Commerce Carlos Gutierrez's high-profile business development mission to Vietnam last November. Secretary Gutierrez advocated for U.S. business interests and introduced 22 companies to the principal Vietnamese Government and business decision makers. The delegation included well-known as well as mid-sized medical device and environmental technology companies.

17. (SBU) The influence of the United States is not restricted to growth in our trade and investment. Over the past decade, the United States has become an important player and key partner in helping Vietnam implement market reforms and eschew central planning through innovative technical assistance programs. The Mission has

HANOI 00000369 002 OF 005

worked hard with the GVN on a broad spectrum of trade and investment issues under the 2007 Trade and Investment Framework Agreement. One area often highlighted is concerns over Vietnam's protection of intellectual property rights (IPR), including weak enforcement efforts and failure to meet its WTO commitment to provide for criminal remedies for commercial scale IPR violations.

GROWING RELIANCE ON U.S. ADVICE

18. (SBU) Despite our fractious history, Vietnam and the United States are forging closer ties each day. Vietnam's motivation to seek stronger ties is clear. The GVN sees the United States as a critical source of financial and technical assistance in many areas. Further, Hanoi increasingly sees the United States as an important force in maintaining a stable regional environment and balancing a rising China. For our part, Vietnam provides an important opportunity in East Asia for advancing U.S. national interests in securing a stable and peaceful Asia-Pacific region. We are also encouraged by the steady liberalization of the government's role in the life of its citizens. Problems remain, as noted below, but all agree that basic trends are positive with regard to personal freedoms, when viewed over time.

10. (U) Over the past ten years, Washington has very effectively invested limited aid dollars to support Vietnam's transition to a market economy by strengthening trade liberalization, particularly the reforms needed to implement commitments under the 2001 Bilateral Trade Agreement (BTA) and WTO. Two of USAID's-funded programs, the Support Trade Acceleration (STAR) and the Vietnam Competitiveness Initiative (VNCI), support Vietnam's efforts to create a modern market economy and the requisite legal framework. The STAR team has been involved directly in the overhaul of Vietnam's civil procedure code, new investment laws providing for equal treatment of state-owned and private companies, a securities law to help develop Vietnam's capital market, protecting IPR, and numerous other projects to shore up greater transparency, rule of law and civil society. As a direct result of these programs, Vietnam has expanded its reforms to include areas of good governance, including improving accountability, transparency and anti-corruption efforts.

¶11. (SBU) Last September, pursuant to the U.S. National Nuclear Security Administration's (NNSA) Global Threat Reduction Initiative (GTRI), the USG brokered cooperation with the Russian Federation and the International Atomic Energy Agency (IAEA) to assist Vietnam in converting its only civilian nuclear reactor from high to low enriched uranium fuel and return spent high enriched uranium to Russia. NNSA continues to assist Vietnam to develop the necessary physical and regulatory safeguards to establish a civilian nuclear power sector.

¶12. (U) Eighty five percent of all U.S. Official Development Assistance to Vietnam focuses directly on health issues, and our cooperative efforts to prevent and treat HIV/AIDS and combat avian influenza are the hallmarks of our bilateral health relationship. This will be covered in my second cable.

¶13. (U) The current indications from the planning figures in the FY08 and FY09 budgetary process is that USAID will be in a position to expand its assistance, especially in the areas of good governance and economic growth and reform. Given the recognition of the growing development relationship between the United States and Vietnam, USAID in Hanoi became a full stand-alone presence mission on February 29.

CHALLENGES: INFLATION, OUTDATED ACADEMIC SYSTEM, STATISM

¶14. (SBU) Despite these achievements, Vietnam faces substantial challenges. Prices have increased during the last several months, measuring 15.7 percent year-on-year in February 2008. Indeed, high inflation became a national preoccupation over the past two months. This clearly worries the national leadership, which lacks experience and tested macroeconomic tools, and fighting inflation now competes with economic growth as the top economic priority. The GVN has taken steps to rein in inflation, such as reducing import tariffs, raising interest rates and widening the trading band on the Vietnamese Dong, but it is not yet clear if these measures will be effective.

¶15. (SBU) Another significant challenge is the large size of Vietnam's state sector. It accounts for about 37 percent of GDP and includes state-owned enterprises (SOEs) that dominate telecommunications, banking, energy, airlines, health care, and other major sectors. While the GVN works to attract more foreign

HANOI 00000369 003 OF 005

direct investment and promote the domestic private sector, it is also determined to maintain a major role for the state sector in the economy. Despite some delays, the government is focusing on the process known as "equitization" as the way to help improve the competitiveness of the state sector. By allowing private parties to buy minority shares of an SOE, the GVN hopes to introduce new business practices that will drive improvements in performance. Complicating the equitization process has been Vietnam's troubled stock market, which is currently hovering above 600, down from over 1000 in 2007. The GVN has recently attempted to rehabilitate the market by loosening foreign ownership laws and directing the State Capital Investment Corporation to buy shares.

¶16. (SBU) Other areas of concern include a woefully outdated education system that is failing to keep up with the demands of a modern economy. An acute shortage of skilled and semi-skilled labor is posing a major roadblock to development. I am leading efforts to deepen U.S. engagement with Vietnam on education issues by brokering partnerships between Vietnam's academic institutions and the private sector, including U.S. businesses, and through a formal "Education Initiative" designed to quickly increase the number of Vietnamese students choosing the United States for overseas training. Like human resources, infrastructure limitations also presents a major challenge to Vietnam's continued rapid growth. Corruption also continues to be a substantial problem in Vietnam, and Transparency International's perception index ranks Vietnam at 123 of 179 countries, in a trend of continuous backsliding since 2002.

CHALLENGES ON HUMAN RIGHTS

¶17. (SBU) While we share common views with the GVN in many areas, differences over human rights remain, and lingering fears that the United States supports the overthrow of the current regime continue to complicate the relationship. The existence of groups in the United States and elsewhere that explicitly advocate regime change helps generate negative charges by Vietnamese conservatives that stoke a lingering paranoia: we are indeed still "the enemy." We counter by reassuring the GVN that the USG does not support separatist groups. Rather, we make the case that we wish build a better human rights dialogue based on mutual trust.

¶18. (SBU) Serious deficiencies related to human rights in Vietnam include lack of freedom of speech, freedom of assembly, and freedom of the press. One of our principal objectives is to end the use of catch-all "national security" provisions such as Article 88 of the GVN criminal code, which prohibits "conducting propaganda against the State." The Mission tracks approximately 50 individual cases of prisoners of conscience and activists under various forms of house arrest, surveillance, and harassment. We continue to call for the release of all prisoners of conscience and freedom of peaceful expression of political views, but where we see individuals expressing their political opinions, many of our government interlocutors see "lawbreakers" trying to destabilize the regime.

¶19. (SBU) In other areas, perceptible progress is being made. Influential Vietnamese leaders are committed to enhancing governance, establishing the rule of law and combating corruption -- all critical in building guarantees of individual freedoms. Vietnam's leading newspapers are increasingly more aggressive in what they publish and in their willingness to push back against censors. Whereas only a few years ago any protest would meet swift and severe police action, this past year various peaceful protests have taken place involving issues such as land rights, opposition to Chinese territorial claims and demands for the return of Catholic Church property, with one protest stretching out for over one month before it finally ended peacefully. With regard to religious freedom, Vietnam has made surprising progress over recent years. More needs to be done, but the country no longer qualifies as a particularly severe violator of religious freedom under our legal definition and we removed the nation from the list of "countries of particular concern" in late 2006.

¶20. (SBU) While we have not yet encountered specific health-related issues in our efforts in trafficking-in-persons (TIP), work in this area is one of our important human rights goals. Vietnam remains a significant source country in the region in the trafficking of women and children, primarily for sex, marriage and labor purposes. Cambodian and Chinese border provinces remain hot zones. Less frequent male TIP cases usually revolve around labor trafficking, often in the fishing and construction industries. Vietnam is a little more than half-way through a 6-year 2004-2010 National Program of Action on anti-trafficking, directed by the Prime Minister. The GVN has initiated the drafting of a new, comprehensive anti-TIP law (we do not expect passage for at least

HANOI 00000369 004 OF 005

another two years) and has worked actively to enhance anti-TIP law enforcement cooperation with neighbors Cambodia, China, Laos and Thailand. The government commitment on anti-TIP is there, but resources remain a significant challenge. Most recently, we have seen an increase in labor trafficking cases, related to the GVN's new export labor drive, and unfortunate reports of trafficking in infants and children to China, partly due to China's demographic imbalances. The level of USG cooperation with Vietnam on this issue is considered very good.

VIETNAM'S INTERNATIONAL AND REGIONAL PROFILE

¶21. (SBU) Vietnam's current membership on the UNSC creates a window of opportunity to encourage Vietnam to speak out in a constructive way on global security issues, and to help Hanoi distance today's Vietnam from the Non-Aligned Movement (NAM) and Communist-Bloc focus driving its old-style foreign policy. We have been proactive here

and in Washington in educating GVN leaders and officials on Burma, North Korea and Iran, where in the past the GVN has been unwilling to engage constructively with us due to "traditional friendships" and non-interference. Despite repeated demarches so far this year, Vietnam lined up against our positions in UNSC debates on Burma and Kosovo.

¶22. (U) Regionally, Vietnam has become a more prominent player in ASEAN, and successfully hosted the APEC Summit in 2006. Vietnam is slated to be chair of ASEAN in 2009, so this visit is an excellent opportunity to underscore the commitment of the United States to promote the U.S.-ASEAN Enhanced Partnership, which will provide expertise and support for ASEAN integration towards becoming the ASEAN Community by 2015.

VIETNAMESE CONCERNS ABOUT CHINA

¶23. (SBU) While Vietnam's engagement with the United States will continue to broaden, China necessarily constitutes Vietnam's most important strategic preoccupation. This is not to say that Vietnam is "choosing" China over the United States; the situation is much more complex. For starters, Vietnam's leadership is sophisticated enough to realize that relations with China and the United States do not represent a zero sum game; it is possible to have good relations with both. Each relationship also creates challenges, however. While China constitutes a vital and necessary commercial partner and former ally, it is also perceived as a significant and frustrating constraint to Vietnam's freedom of action.

¶24. (SBU) Chinese bullying of foreign companies in an attempt to compel them to cease oil and gas exploration efforts in the South China Sea serves to remind Vietnamese officials that while the Vietnamese may not approve of all U.S. policies, the same is certainly true of Chinese actions. While progress has been made in settling the land border, there is no commonality of views on sovereignty issues regarding the South China Sea, known as the "East Sea" to the Vietnamese. Hanoi is also "riding the tiger" with regard to managing the deep negative views toward China of many Vietnamese. China is widely disliked and distrusted as a former colonial master, and Beijing's actions in the Spratlys and Paracels threaten to inflame those passions. Should Hanoi allow unconstrained protests against the Chinese, however, it would appear weak in the face of calls to action that it could not satisfy, as well as risking Beijing's anger.

¶25. (SBU) On security matters, China looms large. There is an understandable GVN caution with regard to China's potential reaction to enhancements in Vietnam's cooperation with the United States. U.S.-Vietnam cooperation in the security field is also constrained by an institutional conservatism born of concern over "peaceful evolution" as a real threat to the regime, as well as by an ingrained caution on the part of Vietnam's military in the face of relative power calculations vis-a-vis China.

CONCLUSION

¶25. (U) Again, I warmly welcome your visit and please look for the Part II and III cables on health issues, including food safety matters and PEPFAR. Your visit will prove critical in promoting further reforms, not just in health, but, as you can see from the above analysis, more broadly. These efforts signal our desire to engage on technical matters, invest and expand markets, and encourage Vietnam to take a larger role in regional and global affairs.

HANOI 00000369 005 OF 005

MICHALAK